



IV. Risk Management



Assurance Program to determine how revenue assurance can be made more appropriate to the needs of small farms.

Commission Recommendations: The recommendations in the Commission's report, *A Time to Act*, called for designing crop insurance programs appropriate for diversified farming operations, using sustainable agriculture methods instead of a single-crop focus, and targeting of crop insurance subsidies as defined by the Commission. The Commission also recommended that USDA examine the Risk Management Agency's (RMA) Revenue

AGENCY HIGHLIGHTS

Risk Management Agency (RMA)

RMA has an extensive network of public and private sector partnerships annually generating new market driven insurance products and educational initiatives, RMA provides reinsurance to companies to sell and service 1.2 million policies covering 218 million insured acres, 100+ commodities and provides farmers with over \$40 billion in risk protection (RMA Summary of Business Report, 2003 crop year). RMA encourages producers to become more knowledgeable with the risks they face in their farming operations, which is why RMA has a variety of partners.

"We at RMA place strong emphasis on meeting the risk management needs of American Agricultural Producers," Administrator Ross J. Davidson, Jr., said in an October 2003 press release announcing funds to encourage increased crop insurance participation in 15 underserved states. RMA has been busy partnering with education, outreach, and research groups to provide producers with new risk management skills. Below is a list of these success stories.

■ **New Non-Insurance Risk Management Tools.** In October 2003, \$10.6 million was awarded to qualified public and private organizations for research and development of new tools. For example, the Rodale Institute will develop an enhanced Organic Transition Simulation Model to help farmers analyze a variety of risk factors and costs when considering a transition to an organic farming practice.

■ **Organic Farming Practices:** Since 2001, organic farming practices have been recognized as "...good farming practices". RMA has seen an increase in participation by small organic producers via signup by written agreements – in 2003, 1,200 written agreements were signed by organic farmers versus 956 in 2002, and only 318 in 2001.

■ **Agricultural Management Assistance (AMA):** RMA administers this program jointly with NRCS and AMS for the benefit of farmers and ranchers in 15 States that have been historically



underserved by crop insurance. For FY 2002, RMA used approximately \$500,000 to share the cost of farmer paid premiums. In FY 2003, RMA helped make crop insurance more affordable to small farmers by providing financial assistance to those producers purchasing the following:

- AGR, which is an innovative “whole farm” revenue pilot program that provides coverage for diversified cropping systems, along with limited coverage for livestock as part of a crop-livestock operation;
- AGR-Lite, which was created by the Pennsylvania Department of Agriculture and is a streamlined “whole farm” program; and
- Spring buy-up crop insurance policies.

These programs are available in a limited number of states. For more information, visit the RMA Web site at www.rma.usda.gov.

To encourage producers to buy-up to higher coverage levels, RMA paid up to 50 percent of the farmer-paid premium at the 75 percent and higher coverage levels. In total, RMA spent approximately \$15.5 million to assist producers under this program. RMA estimates that producers increased their crop insurance coverage by about two coverage levels.

■ **Risk Management Education (RME):** RMA partners with the CSREES, the Commodity Futures Trading Commission, the USDA National Office of Outreach, and other public and private organizations to deliver risk management education programs to U.S. farmers and ranchers. These programs help producers achieve greater financial stability through the appropriate use of risk management tools. Through its educational efforts, RMA raises awareness of the financial risks in agricultural production and marketing, informs producers of available risk management tools, and increases producers’ skills in using those tools to improve financial stability. Participation in RMA’s educational programs has risen steadily in recent years.

During FY 2003, RMA’s educational partners conducted 1,938 activities. These activities resulted in 42,187 producers receiving risk management training. An even larger number of producers were reached with the risk management information thorough such promotional methods as newsletters, mailings, and media efforts. Small farms represent the vast majority of farm operations reached through these initiatives. The Federal Crop Insurance Act makes funding available for two educational and informational programs:

(1) Crop Insurance Education and Information in Targeted States: In October 2003, RMA awarded \$4.5 million and partnered with public and private organizations to provide crop insurance education and information programs in States that have been historically under served by the Federal crop insurance program. The 15 States that are eligible for this program are Maine, New Hampshire, Vermont, Connecticut, Massachusetts, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia, Utah, Nevada and Wyoming. These States have a disproportionately large share of small farmers.



(2) Commodity Partnerships for Risk Management Education: In October 2003, RMA awarded \$4.6 million and established partnerships with public and private organizations for the purpose of providing producers of specialty crops and underserved commodities with risk management training. The goal of these projects is to provide farmers and ranchers with the training and information they need to be able to identify the risk management tools that are available for their commodities, know where to obtain these tools, understand how each tool operates, and select the best risk tool.

HIGHLIGHTS FROM THE RMA PARTNERSHIP AGREEMENTS IN FY 2003

■ **Small Farms Program, the University of California:** Provided risk management education for California's small and limited resource specialty crop producers. The goal of this project was to empower small and limited resource producers of specialty and minor crops to reduce risks of economic losses through intensive, targeted risk management educational outreach.

■ **Georgia Young Farmers Association:** Conducted 57 Young Farmer educational meetings throughout the State of Georgia. These training meetings were promoted through various outlets resulting in over 800 farmers of cotton, corn, soybeans, wheat, feeder cattle, poultry, and produce attending. Topics included risk management tools available for use including marketing cooperatives, crop insurance, forward contracting, wait and see strategies, commodity options, and combinations of each.

During the training session, farmers were introduced to the use of technical analysis in helping with pricing decisions. They learned the basics of daily, weekly, and monthly bar charts and practiced identifying trends using up-to-date charting in various commodities. The project was well received and has been effective in getting farmers to take action using either one or more risk management tools.

■ **Agriculture and Land-Based Training Association (ALBA):** Provided small and limited resource farmers a risk management education program in California. ALBA offered subsidized rental of land to Programa Educativo Para Pequenos Agricultores (PEPA) (Small Farmer Education Program) families and former participants. The main commodities that ALBA farmers work with are specialty vegetable crops ranging from arrugula to zucchini, strawberries, and some culinary herbs. ALBA encouraged their students to test new crops and varieties in order to diversify their production and garner new marketing options. The Post-Harvest Handling and Marketing Unit were added to the PEPA program to teach bookkeeping and record keeping, proper packing techniques, and marketing skills.

■ **Texas/Mexico Border Coalition:** Works with small minority farmers, mostly Hispanic producers along the border, and has grown from 33 counties to 37 in 4 years. This Coalition works with small communities in these border counties and enables those in these small rural communities to have a better quality of life, which not only includes agriculture but employment, education, and health. The partnership provided risk management education to Hispanic specialty crop producers.



■ **Alabama A&M University:** Developed a curriculum in risk management education for livestock and specialty crops producers, including fruits and vegetable growers. There were 59 producer meetings conducted in 21 counties, 22 risk management clubs were formed, and over 1,000 fact sheets were developed and distributed to producers, extension agents, and agricultural specialists.

■ **Virginia Department of Agriculture & Marketing Services:** This partnership resulted in a 2-day, statewide Agricultural Summit Conference for farm and agribusiness leaders in Virginia. This conference addressed how producers must evolve their enterprises and enhance their individual expertise to manage and transform their operations in time of dynamic change in agriculture. This conference was well attended by 184 individuals from across the state. Fifty-one of those attending were agricultural leaders/influencers in Virginia.

■ **Farm Research Cooperative, Michigan:** The goal of this project was to improve the use and understanding of risk management tools among specialty crop producers and address the needs of under-served farmers in Michigan. The Michigan Family Farms Conference was held with the theme, “Successful Strategies for Small and Limited Resource Farmers, Ranchers, and Entrepreneurs.” More than 150 producers attended the 2-day conference. Topics included Passing on the Family Farm, Resources for Risk Management, Value-Added Agriculture, and Production and Marketing for Small Farms.

■ **Georgia Fruit and Vegetable Growers Association Project:** Georgia Fruit and Vegetable Growers Association Project provided specialty crop growers with training and information to help them identify risk management practices and production tools that best meet their needs in managing risk. This project included workshops, conferences, and educational tools for specific specialty crop producers. The Southeast Regional Fruit and Vegetable Growers Conference had numerous workshops focusing on grower risk management needs in the areas of organic agriculture, food safety and crop production practices.

■ **Hawaii Department of Agriculture:** Partnered with the University of Hawaii’s College of Tropical Agriculture and Human Resources, the Agricultural Leadership Foundation of Hawaii, and the Hawaii Farm Bureau Federation to provide a risk management education program for agri-entrepreneurs. They conducted the Hawaii Agricultural Conference, which attracted a thousand participants statewide and representatives from major commodity groups within the state.

■ **Northeast Dairy Partnership:** The Northeast Dairy Partnership, which includes dairy specialists from all New England States and New York, have been working to educate farmers on financial risk management and benchmarking concepts. Led by Cornell University, various grower meetings were conducted that emphasized the need for financial records and how to use those records to improve profitability on the producer’s operation.

The Northeast Dairy partner’s first subproject was milk check comparison. Farms would send in a copy of their milk check and the values would be entered into a database. This milk check comparison allows farms to anonymously compare their milk check values with the 10 closest



farms participating in the study. This helps them understand their farm management decisions for milk component production, and their marketing success in negotiating over-order premiums and milk hauling costs.

■ **Midwest Organic and Sustainable Education Service, Inc. (MOSES):** The Training and Resources for Diversified Agriculture project conducted by MOSES developed and implemented training opportunities and resources about organic production, marketing and other tools for accessing new markets for farm products. Training programs and resources offered information on alternatives or complements to commodity agriculture that contributed to stabilizing farm income and moderating agricultural risk.

■ Project partners are generating three deliverables through this project: 1) support of the Upper Midwest Organic Farming Conference and Organic University; 2) support of the Midwest Value Added Conference; and 3) an ongoing development of six specialized workshops, titled “Organic Basics” directed toward Wisconsin community groups on topics relating to organic production and marketing.

■ **Purdue University:** This project consisted of the development of a series of risk management education programs for priority commodities and hog producers in Indiana. One aspect of the program identified existing extension programs that team members are involved in and incorporated risk management aspects. Several presentations were given at the Hoosier Agri-Tourism Conference focusing on “Improving Your Income Potentials.” PowerPoint presentations were also given at workshops including topics such as “New Business Ventures: Opportunities and Risks,” “Getting Additional Value for Your Grain: Risk, Returns, and Contract Issues for Specialty Grains,” “Planning for the Unexpected,” introduction to Livestock Risk Protection for Hogs, etc. Almost 400 producers have been trained so far.

■ **Kansas State University:** The goal of this project was to ensure that an effective program of agricultural risk management education and information is established in Kansas to meet the needs of the state’s agricultural producers. Four workshops, entitled “Farming with the Family,” were conducted to help farm families identify and manage conflict and relationship problems that may have a deep impact on the farm operation.

In addition, 5 additional workshops directed toward agricultural professional mediators and advisors, and a 3-day farm family mediation training for professional mediators and advisors were conducted. Online and telephone-based individual family coaching was offered through the partnership after the first farm family training workshop.

■ **Pennsylvania Department of Agriculture:** This multi-state project provided risk management education and information to farmers and ranchers in Pennsylvania, Delaware, Maryland, New Jersey, and West Virginia. This project helped improve the financial health of small farms, increased producers skill and knowledge of risk management, encouraged the integration of crop insurance into the producer’s risk management tools, and educated young and beginning farmers about the importance of utilizing risk management tools.



■ **Maryland Department of Agriculture:** Increased Maryland producers' awareness and use of crop insurance tools through direct contact at producer organized meetings. Implementation of an intense promotional campaign designed to reach a wide audience of approximately 6,500 producers through newsletters, announcements, press releases, exhibits, and radio has been a huge success.

The Maryland Department of Agriculture also designed a display board that is used during educational meetings and other risk management related events. In addition, the Maryland Department of Agriculture and University of Maryland worked with Scouler County, South Carolina, and the University of Illinois, to develop two Maryland-specific software packages to assist farmers in deciding on the value of crop insurance on their farms.

■ **New York Department of Agriculture and Markets:** A Risk Management Education Team has targeted producers of crops that have typically underutilized new and improving crop insurance products. The New York Team has successfully conducted various AGR and AGR-Lite informational meetings, along with various meetings that demonstrated the benefits of yield and price protection through the Crop Revenue Coverage (CRC) program. The New York Department of Agriculture and Markets developed a compact disk (CD) that highlighted the CRC program for corn and soybean crop insurance decisions. This CD was exceptionally well received at both education sessions and county level FSA offices. There were 2,400 CDs distributed throughout the state.

■ **University of New Hampshire:** This project focused on providing New Hampshire farmers and agricultural professionals with training and information pertaining to: 1) Types of risk reduced by crop and revenue insurance; 2) Full range of crop insurance products available, including pilot programs; and 3) Use of crop and revenue insurance as part of an overall business strategy to manage risks. Special efforts were made to reach small family farms and specialty crop producers.

■ **Michigan Department of Agriculture:** In partnership with several organizations, the Michigan Department of Agriculture reached small and mid-size fruit, vegetable, and timber producers in Michigan through demonstration projects promoting organic farming, display exhibits at the Great Lakes Expo, "Tilling the Soil of Opportunity" workshops, and "NxLevel for Entrepreneurs" workshops. The partnership had a goal of training 1,000 producers and agri-business professionals. However, they exceeded their goal by more than 400 percent, resulting in the training of 4,187 producers and agri-business people.

The "Tilling the Soil of Opportunity" workshop was a 10-session course on NxLevel, designed for agricultural entrepreneurs who have started or are thinking about starting an agricultural based venture not tied to large scale, community-style production. A project partner, the Michigan Organic Food and Farm Alliance (MOFFA), conducted a series of outreach, education, and demonstration projects about creating an organic farm plan for conventional or new farmers.

The Great Lakes Fruit, Vegetable, and Farm Market Expo had the theme on recognizing and managing risks. The project resulted in the publication of "What is Organic: A Practical Guide



to Understanding Organic Food in Michigan,” and “Choosing Local Organic Food—Good Food for the Right Price.”

■ **Florida Department of Agriculture:** Research indicated that limited information and few “grower friendly” tools existed to aid Florida citrus producers in identifying and managing invasive pests and diseases. To address this issue, the Florida Department of Agriculture developed an educational curriculum and conducted producer workshops that identified and provided the necessary tools to detect and identify invasive pests and diseases. The workshops, conducted in six locations throughout Florida, strengthened existing knowledge and provided much needed new risk management information to growers. A handbook was also developed and contained pest and disease information for growers to have readily available while out in their respective groves.

■ **Washington Wine Grape Industry Foundation (WWGIF):** Provided risk management education for grape growers in Idaho, Oregon, and Washington. WWGIF’s goal was to develop an educational effort for all members of the Pacific Northwest wine and grape industries to identify, understand, and access risk management tools associated with the production, marketing, financial, legal, and human resource aspects critical to sustaining and growing a viable, value-added industry. The project identified current risks, determined the tools that were available to manage those risks, and explained how risk management could be used to protect a grape grower’s investment.

■ **University of Illinois:** Was involved in an educational program consisting of description of crop insurance products, historic crop insurance payments, and advice on combining crop insurance products with marketing contracts. Software, called the “Payout Estimator,” was developed which gave representative insurance payouts for alternative multi-peril products for the years between 1972 through 2001 for corn and soybeans in all counties of Illinois. More than 500 producers attended the workshops conducted at 8 locations.

■ **Market Data, Inc.:** This project provided risk management and new Farm Bill information to specialty crop producers and agricultural professionals in western Kansas, eastern Colorado, Southwestern Nebraska, and western Oklahoma, with a priority for producers of wheat, corn, grain sorghum, soybeans, sunflowers, native hay, dry beans, oats, barley, rye and cotton. Twenty meetings were held in the 4 states and total attendance was 330 people. Four inter-active Web site tools resulted from this project that allows producers nationwide to enter their own figures to generate their own risk management reports. The Web site is www.marketdatainc.com.

■ **University of Arizona:** A key objective of this project was to enable cow-calf, specialty crop, and forage producers in Arizona to more fully utilize the power of the “computer chip” and Internet to make better risk management and overall business decisions. The producers received 4 to 6 hours of intensive, “hands-on” training sessions using applicable software tailored to their local conditions and commodities they produce.

Producers were also taught to evaluate risks related to restocking and financial calculations regarding how much ranchers can afford to pay for livestock of better genetics (e.g., carcass



quality traits, fertility). Educational sessions were delivered to specialty crop and alfalfa forage crop producers.

■ **Colorado State University:** The goal of this project was to ensure that an effective program of agricultural risk management education and information was established in Colorado to meet the needs of Colorado agricultural producers. The project consisted of a series of meetings throughout Colorado, utilizing materials and programs already developed. Working with partners, a team of education professionals from Colorado State University utilized material from the “Risk and Resilience in Agriculture” project and the “Right Risk” simulation program to teach risk concepts and help producers implement management strategies.

■ **South Carolina Nursery and Landscape Association:** This project provided training, information and resources to nursery growers and landscapers to reduce risk and aid them in growing high quality product, using environmentally sound methods. A 1-day grower risk management seminar program was also organized. The full day program featured topics and speakers who assisted growers in managing and reducing risk on their nurseries and farms. In addition to the seminar and trade show program, a bi-monthly publication “The South Carolina Nurserymen” will featured FCIC fact sheets and other instructional materials to reinforce presentations and training programs conducted at the seminar and trade show.

■ **Idaho Cattle Association (ICA):** RMA provided risk management education for beef producers. ICA partnered with the Idaho State Department of Agriculture (ISDA) and various accounting, legal, insurance, and marketing professionals who work with livestock producer clients. The partners worked together to improve upon a program to provide drought management and forage management information to all individuals in the state who graze livestock on federal, state, or private land.

HIGHLIGHTS FROM THE RMA PARTNERSHIP AGREEMENTS IN FY 2002:

During FY 2002, RMA awarded 72 partnership agreements and \$3.7 million to benefit specialty crop producers with State Department of Agriculture, Universities, grower groups, and private agribusinesses. RMA also established partnership agreements in the 15 historically underserved states (see FY 2003 for list) totaling \$1.8 million.

■ **Center for Rural Affairs:** The Center for Rural Affairs, in FY 2002, partnered with the University of Nebraska and conducted a project entitled “Taking Agriculture Commodity Risk Management Options to Beginning Farmers and Others in Nebraska.” Beginning farmers of wheat, corn, grain sorghum, barley, and oats were provided information on risk management tools. Five seminars were held around Nebraska attended by 104 farmers. Up-to-date and comprehensive package of information, including real farm examples, were distributed to 500 individuals to help in minimizing production risks. Drought management seminars were also conducted attended by producers and lenders.

■ **New England Small Farm Institute (NESFI):** The New England Small Farm Institute provided crop insurance education and information programs for farmers in Massachusetts. NESFI along with the Massachusetts Department of Food & Agriculture, and the University of



Massachusetts, at Amherst Center for Agriculture developed a risk management curriculum that focused on crop insurance appropriate for established and developing Massachusetts' farmers. They also created and implemented a multi-pronged outreach campaign that promoted crop insurance.

■ **Kerr Center for Sustainable Agriculture, Inc.:** The Kerr Center for Sustainable Agriculture, Inc., in partnership with RMA and the Oklahoma State Department of Agriculture, sponsored a 2-day conference, "Future Farms 2002: A Supermarket of Ideas." Over 50 speakers discussed risk management tools, government programs, marketing initiatives, and specialty crop diversification. More than 500 people attended the conference; more than 60 percent of the participants were specialty crop and/or underserved producers.

■ **MOSES-Upper Midwest Organic Farming Conference:** MOSES is best known for organizing the largest organic farming conference in the country in LaCrosse, Wisconsin. Funding from RMA allowed for the creation of a Risk Management Fact Sheet on organic farming, an update of the Upper Midwest Organic Resource Directory, sponsorship of this Conference and Organic University, and scholarships for individuals to attend. Over 1,400 people attended the 2002 conference, which featured 48 workshops.

■ **Pennsylvania Department of Agriculture:** Hosted a joint extension/crop insurance and Ag credit industry conference, which identified producers' needs and provided the blueprint for the Targeted State program. In addition, 109 crop insurance workshops were held, providing an overview of crop insurance and its benefits, as well as information on specific products such as Pennsylvania's newly developed AGR-Lite product. Presentations reached an estimated 4,850 growers and industry professionals.

■ **Nevada Department of Agriculture:** A significant number of Nevada producers are not aware of crop insurance plans available in the state, and many of Nevada's producers are small and produce specialty or "niche" crops. The Nevada Department of Agriculture partnered with Cooperative Extension, the Nevada Farm Bureau, Nevada Commodity Groups, and other agribusiness entities to help raise awareness of crop insurance and deliver information to producers.

■ **New Jersey Department of Agriculture:** The New Jersey Department of Agriculture In coordination with Rutgers Cooperative Extension, conducted crop insurance education and information programs for New Jersey Farmers in 2002. "The Garden State Crop Insurance Education Initiative" is the name developed to promote the program in New Jersey. Key information and crop insurance were provided to producers through 4 newsletters that targeted farmers with \$5,000 or greater annual sales of agricultural commodities.

"Make Crop Insurance Part of Your Business Plan" was used as the theme for the newsletter. Over 400 producers were trained. The key element of the educational program was the one-on-one interaction with farmers. As a result, farmers purchased insurance protection for approximately one-third of New Jersey's 526,000 acres of cropland.



■ **New York State Department of Agriculture and Markets:** The New York State Department of Agriculture and Markets, led a project to teach farmers how to develop a risk management plan that focuses on the use of crop insurance tools and products. The New York Risk Management Education Team, in conjunction with U.S. Apple personnel and RMA, conducted four apple meetings across the State of New York to explain to producers the Apple Quality Option Pilot crop insurance program. These meetings had a dual purpose of educating farmers on this underutilized program and collecting feedback on potential improvements to the apple program.

■ **Practical Farmers of Iowa (PFI):** PFI is a non-profit, educational organization that began in 1985 in Iowa and neighboring states. At their Annual Conference, sponsored by RMA, topics included challenges in marketing to Institutional food markets, cooperative marketing strategies, and liability/legal issues. RMA presented an overview of an organic program, nutrient best management practices pilot program, and other crop insurance issues. Approximately 70 producers, Extension and University educators took part in concurrent sessions.

■ **Utah State University (USU):** Partnership included: 1) further the development of a Web site, 2) development of crop insurance decision aids for Utah farmers, 3) evaluate and adopt risk management programs and 4) conduct workshops for Utah producers. More than 700 producers attended the workshops and meetings that USU hosted.

The Web site address is <http://extension.usu.edu/agribusiness>. The decision aids were developed using the budgets, prices, and production for the following crops: alfalfa, wheat, barely, oats, irrigated corn, dry beans and tame hay. USU envisions Utah producers using the decision aids to determine if such alternatives as purchasing crop insurance may be profitable. Also, USU evaluated and adopted risk materials for livestock and hay producers.

Approximately 75 percent of the total agricultural receipts in Utah are from the sale of livestock or livestock products. Hay is the most common and important crop produced in Utah. Most of the insurance related extension programs that have been developed are oriented toward the production and marketing of grains. As a result, the adoption of risk management materials that address the problems faced by Utah farmers was sorely needed.

■ **West Virginia Department of Agriculture:** Many West Virginia farmers have not participated in crop insurance because there were no programs to serve more than 50 percent of its producers, the livestock farmers. Therefore, the primary objectives of the Partnership is to educate the agricultural producers and those who serve them about the full range of risk management activities including crop insurance, debt reduction, production diversification, farm resources, risk reduction, futures and options, agriculture marketing and trade, cooperatives, and other risk management strategies.

The West Virginia Department of Agriculture, working with the WV University Extension Service, conducted 22 cost per unit of production workshops and several crop insurance, legal risk, environmental risk and human risk classes, attended by 3,240 farmers.



For more information on the Risk Management Agency, please visit the Web site at www.rma.usda.gov/.